

Message Text

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TO AMEMBASSY TOKYO PRIORITY

C O N F I D E N T I A L STATE 185785

FOR AMBASSADOR MANSFIELD

E.O. 11652: GDS

TAGS:

SUBJECT: GOJ SUMMIT PLEDGES ON GROWTH AND AID

1. THIS TELEGRAM RECORDS TWO PLEDGES MADE BY FUKUDA AT
SUMMIT AND REQUESTS YOUR HELP IN FOLLOW-UP:

(1) GROWTH: PRIME MINISTER PLEDGED IN SUMMIT DECLARATION
TO DECIDE IN AUGUST OR SEPTEMBER WHETHER FURTHER EXPANSION
MEASURES ARE NEEDED TO ACHIEVE JAPAN'S GROWTH TARGET FOR
THE JAPANESE FISCAL YEAR 1978, WHICH IS 1.5 PERCENT OVER
LAST YEAR. (THIS FORMULATION WAS MEANT TO SAY 7 PERCENT
WITHOUT USING THAT FIGURE; PRIME MINISTER OBJECTED TO
USING 7 PERCENT, SINCE OTHER COUNTRIES WERE NOT CITING
GROWTH LEVELS AT SUMMIT IN QUANTITATIVE TERMS.) PRIVATELY,
HE INDICATED TO PRESIDENT THAT HIS DECISION WOULD BE MADE
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IN LATE AUGUST OR EARLY SEPTEMBER, AND THAT IF EXPANSION
WAS NEEDED HE WOULD CALL SPECIAL SESSION OF DIET AND
PROPOSE SUPPLEMENTAL BUDGET. OUR ESTIMATE IS THAT
STIMULUS OF 3 TRILLION YEN IS NEEDED TO RAISE GNP BY
1.5 PERCENT AND 2 TRILLION YEN NEEDED TO RAISE GNP BY 1
PERCENT; HENCE STIMULUS SHOULD BE AT LEAST 2 TRILLION
YEN, ASSUMING JAPANESE GROWTH FALLS BELOW 6 PERCENT.

THE 500 BILLION YEN MENTIONED IN SOME REPORTS WOULD BE
CLEARLY INSUFFICIENT. WE HOPE THAT AT

APPROPRIATE TIME YOU CAN MAKE CLEAR OUR VIEWS TO PRIME
MINISTER ON THIS POINT, AND THAT EMBASSY STAFF WILL
SPEAK TO MINISTERS AND OFFICIALS CONCERNED IN SAME
SENSE.

(2) AID: PRIME MINISTER PROMISED TO DOUBLE JAPANESE
AID IN THREE YEARS, 1977-1980. MEETING PRESIDENT
PRIVATELY, HE SAID HE WOULD TRY TO PROVIDE 50 PERCENT
OF THIS INCREASE IN FIRST YEAR, BUT COULD NOT BE SURE.
PRESSED TO AGREE THAT AID SHOULD BE DEFINED IN YEN, HE
SAID THAT AID WOULD BE DEFINED IN CONSTANT DOLLARS AND
THAT JAPAN WOULD MAKE UP ANY SHORTFALL DUE TO FUTURE
YEN APPRECIATION WITH EXTRA AID. WE HAVE CALCULATED
WHAT DOUBLING AID IN CONSTANT 1977 DOLLARS WOULD MEAN:
ACCORDING TO FIGURES GIVEN US AT THE SUMMIT BY JAPANESE
OFFICIALS, 1977 JAPANESE ODA WAS 382.5 BILLION YEN OR
1.424 BILLION DOLLARS, USING AN AVERAGE EXCHANGE RATE
FOR THAT YEAR. DOUBLING THIS AMOUNT WOULD BRING IT TO
2.848 BILLION DOLLARS IN 1980. TAKING ACCOUNT OF US
INFLATION OF ABOUT SIX AND ONE HALF PERCENT PER YEAR
WOULD GIVE A TARGET, IN 1977 CONSTANT DOLLARS, OF
3.440 BILLION DOLLARS IN 1980. ASSUMING THAT THE YEN
VALUE OF THIS 1980 3.440 BILLION DOLLAR AID COMMITMENT IS
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COMPUTED AT THE AVERAGE EXCHANGE RATE FOR THE FIRST
SEVEN MONTHS OF 1978 (SINCE JAPAN IS COMMITTED TO
MAKE UP FOR FUTURE YEN APPRECIATION), THE 1980 3.440
BILLION DOLLAR AID GOAL TRANSLATES INTO A TOTAL OF
ABOUT 770 BILLION YEN. IF OUR FIGURES COINCIDE WITH
EMBASSY CALCULATIONS, WE WOULD BE GRATEFUL IF YOU AND
YOUR COLLEAGUES WOULD SHARE THEM WITH JAPANESE, PERHAPS
IN MEMO FORM, AND MAKE CLEAR TO PRIME MINISTER IMPORTANCE
WE ATTACH TO THIS MATTER. DELIVERY OF PRESIDENTIAL
LETTER TO PRIME MINISTER, WHICH IS BEING SENT SEPARATELY
AND WHICH REFERS TO AID COMMITMENT, MAY PROVIDE OCCASION
FOR YOUR DISCUSSING THIS ISSUE WITH PRIME MINISTER.

2. JAPANESE TRADE COMMITMENTS WILL BE DESCRIBED IN
SEPARATE TELEGRAMS.

3. IN PRIVATE DISCUSSION WITH PRESIDENT, PRIME MINISTER
ALSO PROPOSED SUMMIT NEXT YEAR IN TOKYO. PRESIDENT
AGREED AND SUGGESTED IT BE HELD BEFORE END OF MAY,
WHILE GISCARD IS STILL PRESIDENT OF EUROPEAN COMMUNITY.
PRIME MINISTER AGREED. VANCE

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